Class II Infrastructure Contracts and Covenants

The cellular democracy enforces the subjective rights, covenants, injunctions, and contracts of the direct democracy.

The direct democracy has the right to raise revenue for the building, trebling, and ownership of infrastructure. This is either done with parallel cells or in harmony with a district council at some slightly higher level of federation. For instance, a level-2 dominion will build a fire station in coordination with a level-3 fire district that plans to rent it as a fire station.

In the case of the fire station, the level-2 direct democracy would ratify (2/3 plurality) a legislative package. This package contains a contract with a construction company and a fully VIP-budgeted consumption tax set to expire when the construction contract amount has been raised (a constitutional limit of 2 years). It will also contain a contract of ownership describing who owns the infrastructure after it is completed and a covenant restricting its use.

The VIP-enforced budget requires sign-off on certain construction phases before releasing the money. The percentage rate of the consumption tax is based on multiple variables, such as the mean and variance of the community's spending patterns, late fees, and other penalties charged by the construction company.

The contract of ownership describes the extent to which current and future residents of the community own the infrastructure. This determines the distribution of proceeds from infrastructure rent, a treble, or a sale. A covenant is associated with the contract, and the authorization procedures for sale are also included.

There are contingencies if the infrastructure is not put to its intended use. This can happen due to a change in intent by either party (the level-3 fire district or the level-2 investors in the station) or from denial of access rights by the judiciary.

Private Investment Preferred

Private investment is preferable to a consumption tax and a complex ownership contract. The landed aristocrat, and other community-minded or investmentminded residents can place funds in escrow to purchase ownership of the infrastructure before the vote.

Should the funds in escrow meet the terms of the construction contract, a vote of the direct democracy will be unnecessary. A cellular council member will sign the agreement as a community representative, and escrow funds will be disbursed as provided in the VIP-enforced budget.

If the only way to complete funding of the project is through a consumption tax, a 2/3 plurality of the dominion is required to ratify the package. In the fire station case, adult residents would vote at level 2.

The package was likely created by members of the level-2 council who have greater experience in putting together such a package. If the vote fails, any funds in escrow are returned to their owners.

The contracts are considered signed once the package is passed and construction begins. A new contract is prepared between the owners of the fire station (typically represented by the level-2 district council) and the appropriate fire district at level 3.

The contract grants a long-term lease to the fire district and assigns access rights (this building must be used as a fire station). Because access rights are involved, the contract must go through judicial preview to determine whether those rights are class II or III.

If the court finds they are class II, the access rights will be granted. In the case of a fire station, it is highly likely access rights would be granted, assuming there was no other fire station in the next block. A trebler would need to honor the long-term lease or negate the externality somehow.

If all parties are willing to share the risk, merging the contract with the fire district into the initial package is the best option. The initial package would go through judicial preview and then be ratified by a 2/3 plurality.

Because access rights are involved, a 2/3 plurality of the level-2 dominion is required, even if the consumption tax has been removed and the community has no ownership. However, access rights can be granted by either a 2/3 plurality of the level-2 dominion (where the fire station is located) or the level-3 dominion (where the fire station is also located).

Contracts will likely stipulate that ownership lies with the original funding taxpayers until compensation from rent exceeds the future value of the taxpayer investment at 5%. Following the event, community ownership is shared equally by all current members of the community. This does not apply to escrow investors.

There is an infrastructure distribution that is part of the Earth Dividend. Infrastructure distribution cannot be commingled with private investment, community ownership, or consumption tax revenue. Infrastructure built with the Earth Dividend can have no associated rent or tolls.

Should such infrastructure be trebled, 133% of the depreciated replacement cost is returned to the reserves – a deflationary operation that must be accounted for in monetary policy. 100% of the revenue from the sale of Earth Dividend-built infrastructure is returned to the reserves. Efficiency, not profit from the sale, is why such infrastructure would be sold.